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REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA ITALY DEBT FOR
DEVELOPMENT PROGRAMME**

**FOR THE YEAR ENDED
30 JUNE, 2022**

**MINISTRY OF WATER,
SANITATION AND IRRIGATION**





PROJECT NAME: KENYA ITALY FOR DEBT DEVELOPMENT PROGRAMME

**IMPLEMENTING ENTITY: MINISTRY OF WATER, SANITATION AND
IRRIGATION**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

**Prepared in accordance with the Cash Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

Table of Contents

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	iii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES	viii
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT-----	ix
4.. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xii
5 REPORT OF THE INDEPENDENT AUDITOR ON KENYA ITALY-DEBT FOR DEVELOPMENT PROGRAMME(KIDDP).....	xiv
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30th JUNE,2022	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30th JUNE, 2022	2
8. STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 30th JUNE, 2022	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
11. NOTES TO THE FINANCIAL STATEMENTS	16
12. OTHER DISCLOSURES.....	21
APPENDICES	22

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project official name is The Kenya Italy Debt for Development Programme (KIDDP)

Objective: The key objective of the project is to converting eligible official Development Assistance (ODA) bilateral debt into financial resources to implement development projects.

Address: The project headquarters offices are

MAJI House

Nairobi,

Nairobi County, Kenya.

The address of its registered office is:

Ministry of Water, Sanitation and Irrigation

State Department of Water Services

P O Box 49720

Nairobi

The project also has offices/branches as follows: None

Contacts: The following are the project contacts

Telephone: (254) 2716103

E-mail: ps@water.go.ke

Website: www.water .go.ke

1.2 Project Information

Project Start Date: The project start date is 22.01.2007
Project End Date: The project end date is 30.06.2022
Project Manager: The project manager is Eng. F K Kyengo
Project Sponsor: The project sponsor is The Government of Italy

1.3 Project Overview

	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation
Project Number	N/A
Strategic goals of the project	The strategic goals of the project are as follows: - (i) Increase access to safe and adequate water supply and sanitation services (ii) Institutional strengthening. (iii) Technology & knowledge Transfer
Achievement of strategic goals	The project management aims to achieve the goals through the following means: i. Construction of new water supply projects ii. Rehabilitation of existing water projects. iii. Drilling and equipping of new boreholes in urban and rural areas as well as capacity building. iv. Capacity building and institutional strengthening v. Implementation of innovative approaches vi. Exchange programmes and peer learning
Other important background information of the project	The KIDDP water and sanitation projects are being implemented in various Water Works Development Agencies areas of jurisdiction. The Agencies are responsible for the procurement and supervision of the construction works. This includes certification and payment of works. Project Coordination Unit(PCU) monitors periodically the projects' implementation from Nairobi
Current situation that the project was formed to intervene	(i) The programme has supported the implementation of 37No. Water and Sanitation projects in the country. (ii) 36 No. projects are successfully completed and serving 1,426,469 people (iii) 1No. Water and Sanitation project is under defects liability period
Project duration	The project started on 1st July 2007 and was expected to run until 30 th June 2022

1.4 Bankers

The following are the bankers for the current year:

- (i) NCBA Bank;
NIC House Branch; Bunyala road.

1.5 Auditors

The project is audited by the;
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 001000
NAIROBI, KENYA

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr. Joseph Njoroge	Principal Secretary	PhD	Accounting Officer
FK Kyengo	Project Coordinator	BSC Engineering	Programme Manager and Coordinator of programme
Agnes W. Waweru	Head of Accounting Unit	BCOM CPA(K	Cheque signatory F.S signatory
Virginia Waweru	Accountant	CPA(K) B.COM	Processing of payments and preparing financial reports.

1.7 Funding summary

The Project is for duration of 14 years from 2007 to 2022 with an approved budget of equivalent to Ksh 4.4 billion for four ministries/Departments namely:

- i. Health
- ii. Water and Sanitation
- iii. Education - Vocational Training
- iv. Slum Upgrading Sector

Below is the overall funding (all supported sectors) summary for the project from 2007/2008 to 2021/22 financial years.

Source of funds	Donor Commitment-		Amount received to date – (1.7.2007 to 30 June.2022)		Undrawn balance to date (30.6.2022)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i)Grant						
Government of Italy		4,400,000,000		4,309,500,000		90,500,000
		4,400,000,000		4,309,500,000		90,500,000

1.7A Sources of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.June 2022)		Undrawn balance to date (30 June,2022)	
	Donor Currency	Kshs	Donor Currency	Kshs	Donor Currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
Grant						
Government Italy	4,400,000,000	4,400,000,000	4,309,500,000	4,309,500,000	90,500,000	90,500,000
Total	4,400,000,000	4,400,000,000	4,309,500,000	4,309,500,000	90,500,000	90,500,000

B. Application of Funds

	<i>Donor Currency</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Donor Currency</i>	<i>Donor Currenc y</i>	<i>Kshshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B')</i>	<i>(B)</i>	<i>(A)-(B)</i>	
(i) Grant						
Government of Italy	4,309,500,000	4,309,500,000	4,309,500,000	4,309,500,000		
Total	4,309,500,000	4,309,500,000	4,309,500,000	4,309,500,000		

1.8 Summary of Overall Project Performance:

The programme has been able to utilize the overall budget up to ninety-six percent as per the guidelines. The procurement of the service has been through National Competitive process that has assured value for money for the project funds. The adherence to the procurement Act has been observed.

The absorption rate since the commencement of the project has ranged from 50 – 95% depending on the procurement process, environmental situation on the ground, Competence of the contractor and the disbursement of funds from the National Treasury. Processing of the Disbursement has also affected absorption rate.

The project has faced the following implementation challenges:

- Delays in disbursements
- Delays in acquisition of land for project installations
- Incompetent contractors
- Contractual disputes
- Social disputes over lands and land clashes, post-election violence
- Security
- Environmental interruptions including floods, land, slides and
- Delays in road crossings approvals

The recommended way forward includes: -

- Timely procurement
- Advance procurement of project land
- Pragmatic planning and work schedules

1.9 Summary of Project Compliance:

The Kenya Italy for Debt Development Programme has been compliance with all the project management rules and regulations.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

2.1 Introduction

The key water sector development objectives are to:

- a) **Strategic Goal 1:** 80% urban and rural water coverage for the population by 2025

Objective1: Rehabilitate, extend or built water supply, storage and sewerage systems

Objective 2: Increased efficiency and integration of water supply investments and service provision in areas of greatest impact by socially responsible, commercially-oriented water utilities with a strong focus on the poor in urban and rural areas.

- b) **Strategic Goal 2:**40% urban sewer sanitation connections and 40% sanitation uptake in urban and rural sanitation chain for non - sewer by 2025

Objective: Rehabilitate, extend or built sewerage systems, promote decentralized wastewater/faecal sludge treatment systems and uptake of basic non-sewer sanitation systems countrywide. Promote hygiene and public health

The specific key sector development objectives of the project's 2018-2022 plan are to:

- Increase access to water and sanitation service
- Construction of storage facilities Construction of water distribution systems
- Build capacity for water and sanitation sector institutions both under the national and County Governments

2.2 Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sub-sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Water Sector – Kenya Italy Debt for Development Project	To develop water and sanitation infrastructure to meet national standards	Increased access to water and sanitation services	Number of people with water and sanitation services	In quarter April-June an additional 2,000 Kenyans were added to access
			Volume of water stored	An additional 350m ³ of water storage was completed
			Number of people trained	15no. Artisans, attendants and supervisors were trained

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Kenya- Italy for Development Programme exists to transform the lives of Kenya's. The project purpose is to improve the public health of Kenyans by supporting the provision of infrastructure and building capacity for sustainable water and sanitation services.

KIDDP deliver our strategy, which is founded on five pillars:

- i. Sustainability
- ii. Environmental Performance
- iii. Capacity building and Employee Welfare
- iv. Market Place practises and
- v. Citizen engagements

The highlights of our achievements in each pillar

1. Sustainability strategy and profile -

Infrastructure implemented is of good quality, sound workmanship and of appropriate technology. This assures on proper delivery of services that is efficient, effective and responsive to topical issues.

Implementation of projects is supervised by competent consultants who have the requisite experience. Staff of the service provider who will eventually take the operation and maintenance of the project upon completion is attached for institutional knowledge and memory.

Upon completion, the project has a liability period of 6 months to one year where minor defects are sorted by the contractor before eventually handed over to the County Government/Water Company the will manage the Project.

The Project is managed by the Company/Utility that has a proven management framework that is regulated by the Water Services Regulatory Board.

2. Environmental performance

Environmental Assessment is a core part of all projects and assessments are undertaken during the planning and design phase of the projects. Mitigation measures are specified, measured and incorporate as part of the project components. A monitoring framework is put in place to monitor the implementation of the environmental aspects

NEMA licences and approvals are sought and acquired as appropriate.

3. Capacity Building and Employee welfare

During the planning and design phase, an assessment is done on the capacity existing in the Company/organisation that will eventually take over the project upon completion. The identified training needs are incorporated as a project component and executed during the period of the project. Well skilled team will thus take over the management of the project.

During implementation. Skill transfer is paramount as company officers are part of the construction and supervision team to be fully aware of all installations of the project.

As appropriate, the contractors are obliged to disclose and implement their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

4. Market place practices-

Procurement competition practices are fully implemented under the PPDA Act 2016 and the procurement regulations. This is done by public entities/Agencies and ensures value for money, fairness in the provision of opportunities and fair competition. All processes are open and available for public scrutiny.

Contractors are engaged on fair basis and contracts closed for execution of the projects. The contract articulates the roles, responsibilities, expectations and other terms of engagement. Payments of services is agreed upon and negotiated to ensure fairness and respect to the providers of services and goods.

A Project bill Board is constructed indicating projects details as a transparent arrangement. The Details of the Project are also in the Client's website and open for public scrutiny.

5. Community/citizen Engagements-

Community and beneficiaries of water and sanitation projects are involved in the following phases: -

- Planning and design – identification of water sources, water pipe routes and tanks sites – A community committee represent all
- During construction at the certification stage to confirm the works have actually been undertaken accordingly. Hand –over ceremony (Public Baraza) to confirm project completion and to consult on the operational and management arrangements.
- Both county Governments and communities are involved. Community and beneficiaries of water and sanitation projects are involved in all project phases:

4.. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Water, Sanitation and Irrigation and the Project Coordinator for Kenya Italy Debt for Development Programme (KIDDP) programme are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year(period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the Ministry of Water, Sanitation and Irrigation and the Project Coordinator for Kenya Italy Debt for Development Programme (KIDDP)programme accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards. The Principal Secretary for Ministry of Water, Sanitation and Irrigation and the Project Coordinator for Kenya Italy Debt for Development Programme (KIDDP) programme are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The Principal Secretary for Ministry of Water, Sanitation and Irrigation and the Project Coordinator for Kenya Italy Debt for Development Programme (KIDDP) programme further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the Ministry of Water, Sanitation and Irrigation and the Project Coordinator for Kenya Italy Debt for Development Programme (KIDDP) programme confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

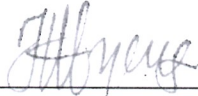
Approval of the Project financial statements

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

The Project financial statements were approved by the Principal Secretary for the State Department of Water Services and the Project Coordinator for Kenya Italy Debt for Development Programme (KIDDP) programme on 30/9/ 2022 and signed by them.



Principal Secretary
Name: Dr. Joseph Njoroge, PHD



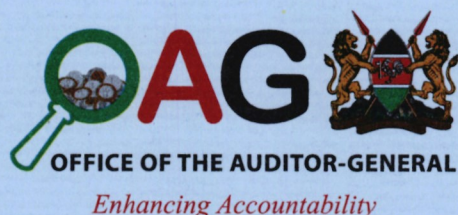
Project Coordinator
Name: Fidelis Kyengo



Head of Accounting Unit
Name: Agnes Waweru
ICPAK NO: 5514

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ITALY DEBT FOR DEVELOPMENT PROGRAMME FOR THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF WATER, SANITATION AND IRRIGATION

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Italy Debt for Development Programme set out on pages 1 to 21, which comprise of the statement

of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Italy Debt for Development Programme as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement on Debt for Development Swap between the Government of Italy and the Government of Kenya, dated 27 October, 2007 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Italy Debt for Development Programme (KIDDP) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.41,000,000 and Kshs.2,317,112 respectively resulting to under-funding of Kshs.38,682,888 or 94% of the budget. Similarly, the Programme spent Kshs.40,025,892 against budgeted expenditure of Kshs.41,000,000 resulting to under-expenditure of Kshs.974,108 or 2.4% of the budget.

The under-funding and under-expenditure affected the planned activities of the Programme which may have impacted negatively on the service delivery to the stake holders.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Long Outstanding Advance

The financial statements reflect accounts receivables of Kshs.12,991,890 as disclosed in Note 8 to the financial statements. This amount was advanced to the Ministry of Water, Sanitation and Irrigation vide requisition letter reference MEWNR/ACCTS/233 on 17 September, 2014, and was meant to enable the Ministry to pay for an outstanding travel bill due to a service provider. This outstanding amount has not been refunded to the Kenya - Italy Debt for Development Programme by the close of the financial year under review which is more than seven (7) years since the advance was made. This therefore means that the advance has not been utilised for the intended purpose of the Programme considering that the Programme activities have officially ended. Additionally, the Government of Kenya through the National Treasury risks being compelled by the Government of the Italian Republic to make repayments as per provisions of Article II.6 of the funding agreement.

2. Lack of an Approved Procurement Plan

The financial statements reflect an amount of Kshs.7,204,940 relating to printing, advertising and information supplies expenditure as disclosed in Note 3. However, the Management failed to provide an approved annual procurement plan contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which highlights the expenditure and other details including:

- a detailed breakdown of the goods, works, or services required;
- an estimate of the value of each package of goods, works or services required and an indication of the budget available and sources of funding;
- the appropriate procurement method for each procurement requirement; and
- the estimated cost for procurement of items which shall include insurance, clearing and forwarding, demurrage charges, warehousing, advertisement and all other incidental costs where applicable.

Further, prior year financial statements reflect an expenditure Kshs.2,877,190 for printing, advertising, and information supplies against the current year's expenditure of Kshs.7,204,940 leading to unexplained increase in expenditure of Kshs.4,327,750.

In the circumstances, Management was in breach of the law.

3. Delay in Project Implementation - Manooni Water Project

Manooni Water Project being implemented by the project through Tanathi Water Works Development Agency was to be completed by 30 June, 2021. The project's duration was extended by one year up to 30 June, 2022 vide a letter dated 7 September, 2021. However, at the time of the audit in October, 2022, the project was yet to be completed despite the expiry of the extension period. Management provided the National Technical Committee Meeting minutes dated 10 May, 2022, indicating that the project completion was 97%.

In the circumstances, failure to complete the project may adversely affect the benefits of the objectives of the project despite having invested a substantial amount of money on the project.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Inventory Management Control Weakness

Review of the management of inventory revealed the following:

- Management did not provide evidence of the existence of a physical store where deliveries are received and issued to the user departments. It was therefore not clear where Management stores the procured goods.
- There is lack of accountable documents especially S11 which should be used by the user department to requisition toners from the store. It was therefore not clear how Management requisitioned for the toners from the store.

- There were no store ledger cards which would track the movement and condition of inventories and stock reorder levels.
- There was lack of a proper electronic/manual system of managing inventories.

This contravened Regulation 166(4) of the Public Procurement and Asset Disposal Regulations, 2020 that requires an effective, economic, efficient, and transparent use of Government inventory, stores and assets at all levels, and that an Accounting Officer of a procuring entity shall take full responsibility of the management or control of inventory and assets.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Programme or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Programme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the projects policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Programme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Programme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Programme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


21 November, 2022

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

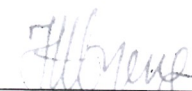
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022

	Note	2021-2022			2020-2021			Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
			2022			2021		
		Kshs	Kshs		Kshs	Kshs		
RECEIPTS								
Grant from external donor	1				48,000,000		48,000,000	3,165,515,905
Interest on deposit	2	2,317,112		2,317,112	3,033,946		3,033,946	66,946,227
Total Receipts		2,317,112		2,317,112	51,033,946		51,033,946	3,232,462,132
PAYMENTS								
Purchase goods and services	3	15,084,552		15,084,552	12,435,917		12,435,917	136,425,088
Transfer to other Govt entities	4	24,941,340		24,941,340	41,746,794		41,746,794	3,014,880,771
Acquisition of non-financial assets	5							3,984,453
Transfers to other national Government levels	6							3,100,000
Total payments		40,025,892		40,025,892	54,182,711		54,182,711	3,158,390,312
SUPPLUS/D								
eficit		(37,708,780)		(37,708,780)	(3,148,765)		(3,148,765)	74,071,820

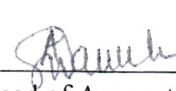
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements


Principal Secretary
Name: Dr. Joseph Njoroge, PHD

Date 30/9/2022


Project Coordinator
Name: Fidelis Kyengo

Date, 30/9/2022


Head of Accounting Unit:
Name: Agnes Waweru


ICPAK NO: 5514
Date 30/9/2022

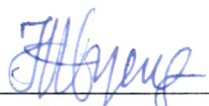
Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

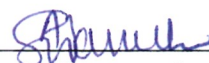
7. STATEMENT OF FINANCIAL ASSETS FOR THE YEAR ENDED 30 JUNE, 2022

	Note	2021/2022	2021/2022
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	66,191,032	103,899,812
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		66,191,032	103,899,812
Accounts Receivables	8	12,991,890	12,991,890
TOTAL FINANCIAL ASSETS		79,182,922	116,891,702
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions		-	-
NET ASSETS		79,182,922	116,891,702
REPRESENTED BY			
Fund balance b/fwd	9	116,891,702	120,040,467
Prior year adjustments		-	-
Surplus/Deficit		(37,708,780)	(3,148,765)
NET FINANCIAL POSITION		79,182,922	116,891,702

The accounting policies and explanatory notes to these financial statements form an integral part of the Financial statements. The financial statements were approved on 30/9/ 2022 and signed by:


 Principal Secretary
 Name: Dr. Joseph Njoroge, PHD


 Project Coordinator
 Name: Fidelis Kyengo


 Head of Accounting Unit:
 Name: Agnes Waweru
 ICPAK NO: 5514

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022


8. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE, 2022

		2021/2022	2020-2021
	Note	Kshs	Kshs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Miscellaneous Receipts	2	2,317,112	3,033,946
Proceed from Borrowing	1	-	48,000,000
Total Receipts			51,033,946
Payments from operating activities			
Purchase of goods and services	3	(15,084,552)	(12,435,917)
Transfers to other government entities	4	(24,941,340)	(41,746,794)
Adjustments during the period			-
Net cash flow from operating Activities		(37,708,780)	(41,746,794)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets			-
Net cash flows from Investing Activities		(37,708,780)	(54,182,711)
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		(37,708,780)	(3,148,765)
Cash and cash equivalent at BEGINNING of the year		103,899,812	107,048,576
Cash and cash equivalent at END of the period		66,191,032	103,899,812

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/2022 and signed by;



Principal Secretary
Name: Dr. Joseph Njoroge, PHD



Project Coordinator
Name: Fidelis Kyengo



Head of Accounting Unit
Name: Agnes Waweru
ICPAK NO: 5514

Kenya Italy Debt for Development Project(KIDDP)

Annual Report and Financial Statements for the financial year Ended 30 June 2022

9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE30, 2022

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilization Difference	% of Utilization
	a	b	c=a+b	d		e=d/c %
Receipts						
Proceeds from domestic and foreign grants	38,000,000		38,000,000	-		0 %
Miscellaneous receipts	3,000,000	--	3,000,000	2,317,112		77%
Total Receipts	41,000,000	-	41,000,000	2,317,112	38,682,888	
Payments						
Purchase of goods and services	16,000,000	-	16,000,000	15,084,552	915,448	94%
Acquisition of non-financial assets		-	-	-		
Transfers to other government entities	25,000,000		25,000,000	24,941,340	58,660	99%
Total Payments	41,000,000	-	41,000,000	40,025,892	974,108	

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.

JS

Principal Secretary
Name: Dr. Joseph Njoroge, PHD

Date 30/9/2022

Fidelis Kyengo

Project Coordinator
Name: Fidelis Kyengo

Date 30/9/2022

Agnes Waweru

Head of Accounting Unit
Name: Agnes Waweru
ICPAK NO: 5514

Date 30/9/2022

10. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1) Basis of Preparation

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the periods presented.

10.2 Reporting entity

The financial statements are for the Kenya Italy for Debt Development Programme under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

i. Transfers from the Exchequer

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii. External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

iii. Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

iv. Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v. Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the period they were received.

vi. Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements

10.5 Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

- ii) Use of goods and services**
Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

- iii) Interest on borrowing**
Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

- iv) Repayment of borrowing (principal amount)**
The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

- v) Acquisition of fixed assets**
The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

10.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which

are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the reporting period.

10.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

10.9 Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the reporting period is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 5** of this financial statement is a register of the contingent liabilities in the period.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the reporting period, including payments made in respect of loan write-offs or waiver of interest on loans

10.11 Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the reporting period arising from contracted goods or services during the period or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the period. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the period in which the payments are made.

10.13 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

10.14 Third party payments

Included in the receipts and payments there are no payments made on behalf by third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the period disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

10.16 Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note xx of these financial statements*

2) Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for (KIDDP) under the Ministry of Water Sanitation and Irrigation. The financial statements are for the Kenya Italy for Development Programmer as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

(The Project) recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon

receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

10.5 Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation to employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

10.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

10.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 Contingent Liabilities

A contingent liability is:

- a. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b. A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 Contingent Assets

(The Entity) does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of *(the Entity)* in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10.13 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*. Full budget was not used due to delays in the implementation of the project by the contractor due to delays in acquisition of approvals for railways and roads crossings

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, no funding was received in form of direct payments from third parties.

10.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

10.16 Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note xx of these financial statements*

11. NOTES TO THE FINANCIAL STATEMENTS

1.PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the period ended 30 June 2022 we did not receive grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						Period ended. 31 st March, 2022	Comparative period
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors							
Government of Italy)	-	-	-	-	-	-	
Total							

2.MISCELLANEOUS RECEIPTS

	2021-2022			2020-2021	
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	Total Receipts
	Kshs	Kshs	Kshs		Kshs
Interest on deposits	2,317,112		2,317,112	3,033,946	66,946,227
Total	2,317,112		2,317,112	3,033,946	66,946,227

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

3.PURCHASE OF GOODS AND SERVICES

	2021-2022		2020-2021		Total Payments Kshs
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Communication, supplies and services					14,360,441
Domestic travel and subsistence	5,740,900		5,740,900	6,373,800	59,606,683
Printing, advertising and information supplies	7,204,940		7,204,940	2,877,190	19,921,449
Hospitality supplies and services				180,000	8,639,954
Fuel and lubricants	553,800		553,800	781,963	8,775,783
Foreign Travel					3,782,055
Insurance costs	116,020		116,020	172,272	33,790,996
Communication supplies					619,800
Other operating payments	1,246,622		1,246,622	1,472,882.	18,306,023
Routine maintenance – vehicles and other transport equipment	222,270		222,270	477,308	7,709,598
Furniture				100,500	100,500
Total	15,084,552		15,084,552	12,435,917	175,613,282

4.TRANSFERS TO OTHER LEVELS GOVERNMENT ENTITIES

During the period 30th June 2022, we transferred funds to reporting government entities as shown below;

	2021- 2022			2020-2021	Commutative to date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Total Payments
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to Other Levels of Government					
TAWWDA	24,941,340.			41,746,794	3,014,880,757
TOTAL	24,941,340			<u>41,746,794</u>	<u>3,014,880,757</u>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

5.ACQUISITION OF NON-FINANCIAL ASSETS

	2021- 2022			2020-2021	Commutative to date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Total Payments
	Kshs	Kshs	Kshs		Kshs
MOTOR VEHICLE					3,984,453
TOTAL					<u>3,984,453</u>

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

6.TRANSFERS TO OTHER NATIONAL GOVERNMENT ENTITIES

	2021- 2022			2020-2021	Commutative to date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Total Payments
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfers to Other Levels of Government					
TAWWDA	24,941,340.			41,746,794	3,014,880,757
TOTAL	24,941,340			<u>41,746,794</u>	<u>3,014,880,757</u>

7.BANK BALANCES

	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	66,191,032	103,899,812
Total	66,191,032	103,899,812

The project has one bank account which account details are;

NCBA Bank Account number 100009063.

NCBA Branch.

8.ACCOUNTS RECEIVABLES

<i>Description</i>	Period ended 30 th June 2022	Cumulative period
	Kshs	Kshs
Government Imprests (MoWSI)	12,991,890	12,991,890
Total	12,991,890	12,991,890

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

9.FUND BALANCE BROUGHT FORWARD

	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	103,899,812	107,048,577
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	12,991,890	12,991,890
Total	116,891,702	120,040,467

Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022

12. OTHER DISCLOSURES

i). CHANGES IN ACCOUNTS RECEIVABLE

	2021-2022	2020-2021
	Kshs	Kshs
Opening Receivables as at 1 st July 2021	12,991,890	12,991,890
Closing account receivables as at 30 th June 2022	12,991,890	12,991,890
Change in Receivables	-	-

ii) PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.2	Unrecovered advance - long outstanding Imprest to the Ministry of Water, sanitation and Irrigation – Ksh. 12,991,890.00	Project team did follow-up on the recovery through Memo dated 31 st April 2021 (attached)	Issue still pending	31 st December 2023

APPENDICES

- i. Bank Reconciliations
- ii. Confirmation of funds transferred to the other levels of Governments
- iii. Board of survey forms

**Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year Ended 30 June 2022**

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

.....

Name

Principal Secretary

.....

Name

Project Coordinator

***Kenya Italy Debt for Development Project(KIDDP)
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Annex 8: Other Support Documents

- iv. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- v. Bank Reconciliations statement as at 30th June 2022
- vi. Board of Survey Report
- vii. Special Deposit Account(s) reconciliation statement(s)
- viii. GOK IFMIS comparison Trial Balance



REPUBLIC OF KENYA

MINISTRY OF WATER AND SANITATION AND IRRIGATION

KIDDP JUNE 2022 BANK RECONCILIATION.

		SHS	CTS	SHS	CTS
Balance as per Bank Statement				69,995,771	79
LESS:					
Talkan Supplies	550,100				
Fremal Solutions	576,000				
Delmag Investments	522,760				
Silmoth Supplies	535,680				
Boblink Investments	521,000				
Mein Sohn-ty Limited	535,400				
R.H Devani	553,800				
				(3,804,740)	(00)
		Nil			
-Receipts in Bank Statement not in Cashbook					
ADD: -Payments in Bank statement not in cash book		Nil			
		Nil			
-Receipts in cash book not in Bank statement					
Balance as per the cashbook				66,191,031	79

KENYA-ITALY DEBT DEVELOPMENT PROG.
MAJI HOUSE,NGONG ROAD.
Nairobi
00100
Kenya
Statement Period: 20220601
**Customer Name KENYA-ITALY DEBT DEVELOPME
T**
Customer Number: 119666
Account Number: 1196660027
1110000509 1000009063
Account Type Institutional Banking Current AC
Currency: Kenyan Shilling

Date	Transaction Details	Value Date	Debit	Credit	Balance
03062022	Cash Withdrawal 1501 TT2215400S16	03062022	100,000.00		70,682,903.79
03062022	Cash Withdrawal 1502 TT2215400S17	03062022	539,800.00		70,143,103.79
30062022	Cash Withdrawal 1503 TT2218100S01	30062022	100,000.00		70,043,103.79
30062022	Cash Withdrawal 1506 TT2218100S02	30062022	169,901.00		69,873,202.79
30062022	e-Local Transfer Credit Interest AACT22 181YT3QM7TC	01072022		144,198.80	70,017,401.59
30062022	KE Excise Duty Tax AACT22181YT3Q M7TC	01072022	21,629.80		69,995,771.79
01072022	Inward Clg Cheque CHQ NO - 001689 TALK AN SUPPLIES FT22182 GP7PP	01072022	550,100.00		69,445,671.79
01072022	Inward Clg Cheque CHQ NO - 001688 FRE MAL SOLUTIONS LIMIT ED FT221822WJML	01072022	576,000.00		68,869,671.79
04072022	Inward Clg Cheque CHQ NO - 001690 RAM JI HARIBHAI DEVANI LI MITED FT22185RFQF8	04072022	553,800.00		68,315,871.79
04072022	Inward Clg Cheque	04072022	522,760.00		67,793,111.79



4 July
10:1

	CHQ NO - 001687 DEL MAG INVESTMENTS FT 22185KZV5L			
04072022	Inward Clg Cheque	04072022	535,680.00	67,257,431.79
	CHQ NO - 001685 SILM OTH SUPPLIES FT221 858SV2C			
Payments In			144,198.80	
Payments Out			3,669,670.80	
Available Balance			67,257,431.79	
Closing Balance			67,257,431.79	



REPUBLIC OF KENYA

MINISTRY OF WATER AND SANITATION AND IRRIGATION

KIDDP JUNE 2022 BANK RECONCILIATION.

		SHS	CTS	SHS	CTS
Balance as per Bank Statement				69,995,771	79
LESS:					
Talkan Supplies	550,100				
Fremal Solutions	576,000				
Delmag Investments	522,760				
Silmoth Supplies	535,680				
Boblink Investments	521,000				
Mein Sohn-ty Limited	535,400				
R.H Devani	553,800				
				(3,804,740)	(00)
		Nil			
-Receipts in Bank Statement not in Cashbook					
ADD: -Payments in Bank statement not in cash book		Nil			
		Nil			
-Receipts in cash book not in Bank statement					
Balance as per the cashbook				66,191,031	79